

Message Text

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ACTION IO-14

INFO OCT-01 EA-11 ADP-00 SS-15 PM-07 L-03 H-03 PA-03

USIA-12 NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00

INT-08 RSR-01 /099 W

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R 180901Z JUL 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5469

INFO HICOMTERPACIS

USUN NEW YORK 1559

HQ USARBCO-MACHINATO/TTPI-LNO

UNCLAS TOKYO 9216

E.O. 11652: N/A

TAGS: EAID, TQ, JA

SUBJECT: MICRONESIAN CLAIMS AGREEMENT

DEPT PASS INTEROR FOR DOTA AND OSN

HICOMTERPACIS ALSO FOR STATUS LNO

REF: TOKYO 7720

SUMMARY: GOJ HAS INQUIRED HOW TTPI WILL PROVIDE TAX
EXEMPTION FOR JAPANESE INCOME IN TTPI DERIVED FROM
PROJECTS UNDERTAKEN UNDER MICRONESIAN CLAIMS
AGREEMENT AS AGREED TO IN MARCH 13, 1973 EXCHANGE OF NOTES.
END SUMMARY.

1. FONOFF 2ND ECO COOP DIVISION (ITO) CALLED IN EMBOFF
JULY 18 AND DREW ATTENTION TO FACT THAT ARTICLE 5
OF MARCH 13, 1973 EXCHANGE OF NOTES CONCERNING MICRO-
NESIAN CLAIMS AGREEMENT PROVIDED TQT JAPANESE INCOME
DERIVED FROM PROJECTS UNDERTAKEN PURSUANT TO MICRONESIAN
CLAIMS AGREEMENT WOULD BE EXEMPT FROM TTPI. TAXES. ITO SAID
THAT "LIST" OF GOODS TO BE PROCURED FROM JAPAN WOULD
PROBABLY BE FINALIZED IN SEPT OR OCT AND THAT PRO-
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CUREMENT WOULD START THEREAFTER. ITO SAID FONOFF

UNDERSTOOD TQT 1973 REGULAR SESSION OF CONGRESS OF MICRONESIA (COM) HAD NOT PASSED LEGISLATION PROVIDING REQUISITE TAX EXEMPTION AND THAT NEXT REGULAR SESSION WOULD NOT BE CONVENED UNTIL JAN 1974. ITO SAID GOJ WAS THEREFORE CONCERNED THAT DESPITE PROVISIONS OF EXCHANGE OF NOTES JAPANESE INCOME MIGHT BE SUBJECT TO TAXES.

2. ITO INFORMED EMBOFF THAT FONOFF HAD RECENTLY INSTRUCTED JAPANESE EMB WASHINGTON TO RAISE MATTER WITH DEPT AND ASK 1) WHEN COM WOULD PASS LEGISLATION PROVIDING TAX EXEMPTION AND 2) WHAT PRACTICAL STEPS COULD BE TAKEN TO INSURE TQT JAPANESE INCOME IS NOT TAXED IN INTERIM BETWEEN BEGINNING OF PROCUREMENT AND COM PASSAGE OF REQUISITE LEGISLATION.

3. EMBOFF TOOK OCCASION TO INQUIRE ABOUT GOJ REVIEW OF DRAFT "LIST" PRESENTED BY TTPI FINANCE DIRECTOR PETERSON JUNE 19. ITO STATED WH CONCERNED MINISTRIES HAD REVIEWED LIST AT MEETING WEEK OF JULY 9 BUT REACHED NO CONCLUSION. HE SAID GOJ WISHED RECEIVE REMAINING PORTION OF LIST CONCERNING ECONOMIC DEVELOPMENT PROJECTS BEFORE COMMENTING. ITO INDICATED THAT GOJ IS CONSIDERING DISPATCHING MISSION TO TTPI IN LATE AUGUST TO MEET WITH TTPI OFFICIALS AND TO VISIT SOME OF SITES WHERE CLAIMS AGREEMENT MONEY WOULD BE UTILIZED. ITO ASKED WHETHER GOJ COULD RECEIVE LIST OF ECONOMIC DEVELOPMENT PROJECTS BEFORE VISIT OR ALTERNATIVELY RECEIVE LIST WHEN MISSION ARRIVED IN SAIPAN. HE SAID GOJ NOT YET READY PROPOSE SPECIFIC DATES FOR MISSION BUT HOPE BE ABLE TO DO SO AT LEAST 3 WEEKS IN ADVANCE. EMBOFF AGREED PASS REQUEST RE ECONOMIC DEVELOPMENT PROJECTS LIST ON TO HICOM.

4. ITO SAID MINISTRY OF FINANCE WAS STILL CONSIDERING WHETHER GOJ COULD ALLOW US TO USE PART OF INTEREST ACCRUING IN US SPECIAL ACCOUNT TO PAY LOCAL EXPENSES OF PROCUREMENT OFFICER BUT HAD NOT YET REACHED DECISION. INGERSOLL

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